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## Canada

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### **Govt Mandated Grain Volumes for Rail Movement Extended Thru Winter**

**Report Categories:**

Grain and Feed

Policy and Program Announcements

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**Report Highlights:**

Transport Canada and Agriculture and Agri-Food Canada have issued a press release stating that weekly minimum grain volumes required to be moved by Canadian railroads, which were set to expire on November 29, 2014, will be extended until March 28, 2015. The volumes are over 20 percent lower than the grain industry expected and there have been concerns expressed that these new, low volumes will be used by the railways as an opportunity to ration capacity, rather than follow market demand which is significantly higher.

Transport Canada and Agriculture Canada have issued a press release stating that the minimum grain volume requirements, which were set to expire on November 29, 2014, will be extended until March 28, 2015. The two main Canadian railways, Canadian National (CN) and Canadian Pacific (CP) have been operating under mandated grain transportation volumes since March 7 2014. The original order in council ordered the Canadian railways CN and CP to move a minimum of 500,000 metric tons per week each through August 3. A second order in council increased and extended the minimum volumes to 536,250 MMT per week each until November 29, 2014. On November 30<sup>th</sup>, a new order in council extended the mandated volume through the winter months at the following levels:

<b>Time period</b>	<b>Metric tonnes per week</b>
Nov. 30, 2014 to Dec. 20, 2014	345,000
Dec. 21, 2014 to Jan. 3, 2015	200,000
Jan. 4, 2015 to Feb. 21, 2015	325,000
Feb. 22, 2015 to Mar. 21, 2015	345,000
Mar. 22, 2015 to Mar. 28, 2015	465,000

The [July 31 Order in Council](#) had suggested that higher volumes than those announced might be considered for the remainder of the 2014/15 year beyond November 29. The mandated minimum volume actually announced for this time period (November 30, 2014 to March 28, 2015) is 5,230 thousand metric tons, more than 20 percent lower than the volumes tentatively put forth by the Canadian government in August 2014, as the volumes that could be mandated over the winter months, should it be deemed necessary.

There are concerns being expressed that mandated volumes have been set too low (below demand) and there is a risk of grain volume building up in the country again should the railways treat the new mandates as volume maximums required rather than work to meet actual demand which is estimated to be closer to 500 TMT each per week through the winter months.

The Order maintains direct legal obligations on railways to move grain and the penalties for non-compliance of up to \$100,000 per violation remain in place.

In reaction to the government's announcement, both CN and CP have issued statements that warn that continued regulation is harmful to the supply chains and question why the Canadian government decided to extend the regulations when the railways have been performing well. In early November Canadian Minister of Agriculture stated only a significant and sudden pile-up of grain across western Canada, or a complete failure by the railways to move grain, would result in the mandates being extended past November 29, 2014. His statement sparked an outcry by influential farm groups and his statement was quickly retracted to be replaced with a statement saying that the decision had not been made yet. The Western Grain Elevator Association, an association representing most of Canada's grain companies, issued a press release on December 1, 2014 underscoring the need that these low minimum thresholds not be used "as an opportunity to ration capacity and that they will match their supply as close as possible to that of industry demand which is significantly higher than the minimum thresholds." Farm groups have expressed satisfaction with the mandates, stating that this is what is needed until level for service level agreements with reciprocal penalties can be put in place.

The lower volumes may have been the Canadian government's attempt to mitigate the impact of that the grain volume mandates have had on service to other commodities, short lines, and mills and processors in eastern Canada and the United States. These groups have emphasized the need to reform the volume mandates, arguing that they have been operating at a disadvantage as a result of the railways maximizing their usage of their most efficient routes to the western ports in order to comply with the regulations. In its announcement of the maintenance of minimum grain volume requirements for railways, the Canadian government included the statement that "Ministers expect railways to provide reliable and predictable service to all shippers, all destinations, and throughout all corridors, as is their obligation as common carriers."

The November 29, 2014 press release can be found at the following URL address:

<http://news.gc.ca/web/article-en.do?nid=910299>

Other GAIN reports on the topic can be found at the following URL addresses:

***Canadian Grain Transportation Regulations (8/6/2014):***

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Canadian%20Grain%20Transportation%20Regulations\\_Ottawa\\_Canada\\_8-6-2014.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Canadian%20Grain%20Transportation%20Regulations_Ottawa_Canada_8-6-2014.pdf)

***Update on Transportation of Grain by Canadian Railways (11/10/2014):***

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Update%20on%20Transportation%20of%20Grain%20by%20Canadian%20Railways\\_Ottawa\\_Canada\\_11-10-2014.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Update%20on%20Transportation%20of%20Grain%20by%20Canadian%20Railways_Ottawa_Canada_11-10-2014.pdf)